



INVESTOR PLACE

THE VC INSIDER'S MILLIONAIRE PLAYBOOK

LUKE LANGO

Your Owner's Manual to Luke Lango's Innovation Investor

It's never been easier to make 10X your money in the stock market.

Why do I say that? Let's go back to 2014, when a small San Francisco company had just introduced a new communication tool that could only be described as part email, part instant messaging. Since then, this tool has become a hit in offices across the globe.

You know it as "Slack," and its user base has grown from a mere 16,000 in 2014 to **12 million by 2019**. Today, Slack is used by more than half of Fortune-100 companies.

I'm telling you this because, somewhere along this journey, Slack has turned into a billion-dollar tech company.

But it's not Slack that I want you to focus on ... it's the rate at which Slack managed to go from startup to unicorn.

Slack turned into a billion-dollar tech company in just eight months.

This kind of hypergrowth used to be completely unheard of! Just 50 years ago, businesses that reached the billion-dollar mark typically needed more than a decade and the help of 20,000 workers (or *more*).

But the time and resources it takes for hypergrowth businesses to grow and scale has consistently shrunk in the digital era. It's a trend that has accelerated over the past two decades, and **it's one of the biggest seismic shifts in human history**.

And by finding these businesses early on, when they're trading for mere fractions of their future value, you'll discover just how easy it is to 10X your investment.

American history is filled to the brim with success stories...

There's Nike, Google, Disney, Walmart, Starbucks, Oracle, Amgen, Microsoft, and Amazon, just to name a few.

In the 1990s, Oracle, Amgen, and Microsoft generated more than 4,000% returns... that's a 40X return on your money!

That kind of return can transform \$25,000 into \$1,000,000.

Like I said, it's never been easier to 10X your money, **let alone 40X it**.

The time and resources it takes for companies to grow and scale has consistently and dramatically shrunk over the past decade. It's inarguable, and it's one of the biggest seismic shifts in human history.

There are, of course, two sides to this coin.

Welcome to the Great Acceleration

On one side, you have those on the wrong side of the seismic shift.

I'm sure you've noticed in recent years how Uber has upended the ride-hailing industry. And it's not alone in this trend of accelerated disruption...

Look at travel, where Expedia and TripAdvisor reign supreme...

Look at Hollywood, where Covid-19 has accelerated the inevitable pivot from theaters to Netflix as the blockbuster venue of choice...

Look at retail, which has become synonymous with "Amazon" ...

Look at music, which has given way to streaming and podcasting from Apple and Spotify...

The list goes on and on.

We are in the middle of a transition. One in which the world permanently shifts from a paper-based, analog world to a digital, computer-powered world.

For some companies, the transition has been **devastating**.

For example, in 2004, Blockbuster was doing \$6 billion in annual revenue and was an unrivaled giant in the home entertainment industry. But by 2010, the company had declared bankruptcy. Its digital competitor Netflix destroyed it.

And then you have the taxi industry. Uber crippled it...

And the mall industry, which was killed by Amazon...

The seismic shift is leaving many companies in the dust and bringing decade-old industries to their knees.

But where there are losers, there are winners. And on the other side of this coin, hypergrowth technology companies are **making money hand over fist**.

In the past three years alone, more than 120 technology companies have soared by 100% or more.

Jeff Bezos – the founder and CEO of Amazon – is now richer than Warren Buffett. Facebook shareholders have enjoyed a roughly 1,000% return on their investment since mid-2012. Early Google investors are up more than 25-times their original investment.

There's a powerful and unstoppable phenomenon behind all of this, which few Americans understand.

When you learn about this phenomenon, you'll see why what has happened in recent years is small potatoes compared to what's coming next.

The destruction of certain industries is going to get worse. And the money made by a select group of winners will only be more remarkable.

Some people – and I aim to make sure you are among them – will make more money, more quickly, than ever before.

The name I give this world-changing phenomenon is called ***The Great Acceleration***.

You hold in your hands a guide to how we will take advantage of this phenomenon at *Innovation Investor*. In the pages that follow, I'll explain what The Great Acceleration is, how it's about to transform our world, and how you can harness its power to build wealth quickly.

Can You Really Make a Billion Dollars in 2 Years?

Very few people understand one of the core tenets at the intersection of innovation and acceleration... that is, the reality that our modern digital world is rapidly expanding at an incomprehensible rate.

And it all boils down to something called: "***The Law of Accelerating Returns***."

The term was first coined by Ray Kurzweil, the most famous "futurist" and tech expert in America.

Kurzweil worked as the director of engineering at Google. He won our country's top technology award (the National Medal of Technology and Innovation) and has been described as "[Edison's rightful heir](#)" by *Inc* magazine.

"Our intuition about the future is linear," said Kurzweil in a 2010 interview with *Time*. "But the reality of information technology is exponential, and that makes a profound difference. If I take 30 steps linearly, I get to 30. If I take 30 steps exponentially, I get to a billion."

This contains the essence of the law of accelerating returns, which admittedly is a bit complex...

But it's worth taking a few minutes to understand, as this simple concept does the following:

- Explains why some companies are growing so quickly, and making so much money so fast, compared to how long it took years ago.
- Explains why so many well-known companies will collapse and even go bankrupt in the next few years.
- Explains why the wealth gap in America is so big... why it's getting bigger... and why it will continue to widen still in the years to come.

And most importantly: This simple concept provides a roadmap for how YOU can make a lot of money, and avoid major losses, in the near future.

Here's how it works...

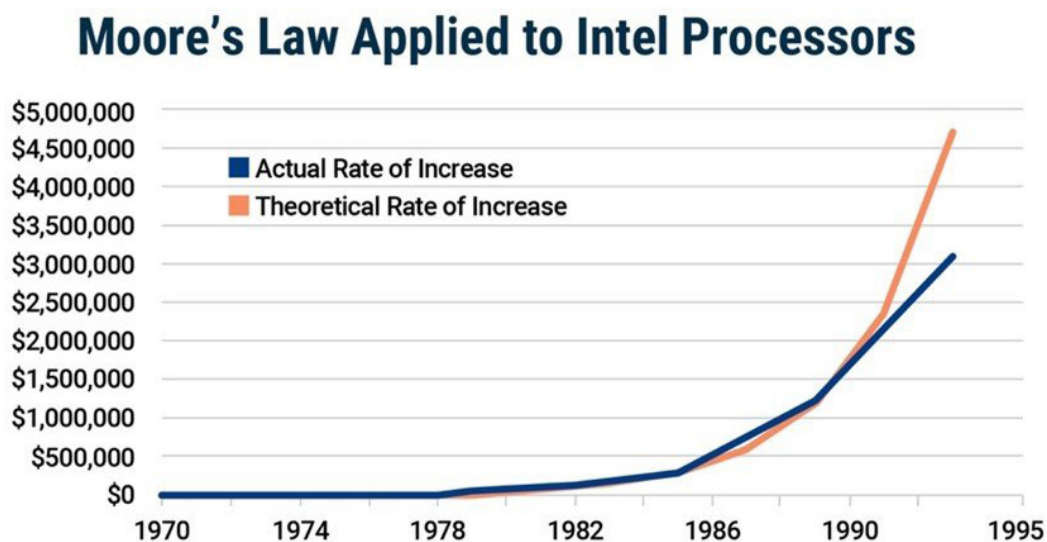
As Kurzweil explains, technology does not progress in a linear, step-by-step manner...

Instead, the speed of progress... and the speed at which people adopt innovative technologies, actually **accelerates** (*dramatically*) over the years – hence our term for this phenomenon: **The Great Acceleration**.

I know that's a little bit confusing, so let me show you an example...

You've probably heard of Moore's Law. It's an observation made in the late 1960s by Gordon Moore, the founder of Intel.

Moore said the number of transistors we could fit on a microchip would double every two years, which would rapidly boost computer power. Few people believed Moore, but he was exactly right, as you can see from the chart below...



Now, here's the critical point you must understand...

Looking at this curve, you can see how the rate of technological progress got **faster, every year**.

Think about it this way...

Imagine if in year one, you could put just one transistor on a chip. Then in year three, you could put two transistors on a chip... and in year five, you could fit four transistors on a chip.

Remember, because of technological advances, we're able to double the number of transistors on a chip, every two years.

If you do the math, here's what the data looks like:

Number of Transistors	1	2	4	8	16	32	64	128	256	512	1,024	2,048	4,095	8,192	16,384
Year	1	3	5	7	9	11	13	15	18	20	22	24	26	28	30

Do you see the dramatic effect of exponential growth?

Between years one and three (a two-year stretch), the rate of progress added just one transistor per chip...

But between years 28 and 30 (a similar two-year stretch), the number of chips increased by 8,192!

In other words: If it feels like technology is changing and advancing faster than ever, you're right, it is... and in a dramatic way!

When you draw a chart of "exponential growth," the curve gets steeper and steeper. The rate of progress speeds up. Some call it an "S-curve," because it resembles an "S".

Here's a fitting example of The Great Acceleration at work in the real world...

In the year 2000, it cost \$50 million to buy a computer that could perform one trillion operations per second.

By 2016, you could buy a computer that performed eight-times that many operations per second... for just \$600. That's over a million times improvement... in just 16 years!

And remember, these technologies improve **exponentially**... so in just a few years, today's computing power and technologies will look completely antiquated.

You're seeing the same thing play out with electric vehicles today...

Back in 2010, electric cars could only travel a hundred miles and cost an arm and a leg compared to gas cars.

In the decade since, the average electric vehicle driving range has increased by **140%** while average cost has decreased by **70%** -- with a majority of those advancements happening at an exponential pace in the past few years alone.

In other words, all around us, the technologies we use are getting better and cheaper, at a faster and faster pace.

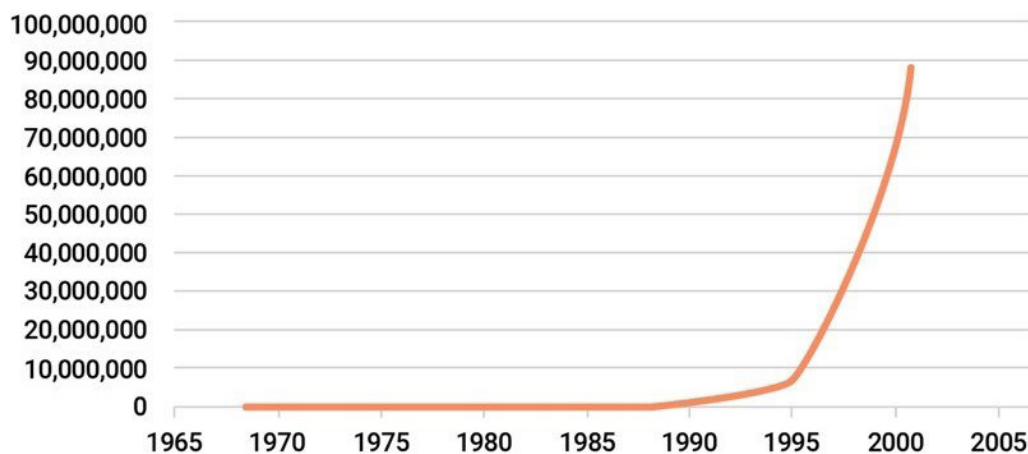
For the record... The Great Acceleration doesn't just apply to the performance of new technology... it also applies to the ***adoption of new technology***.

That's right. The Great Acceleration means that consumers also adopt these innovative technologies at an exponential rate.

Of course, the big example here is the internet.

It took decades to get just a few million people on the internet. Then, seemingly overnight from 1990 to 2005, worldwide internet adoption ***accelerated exponentially*** – just look at the chart below...

Internet Adaptation Rate

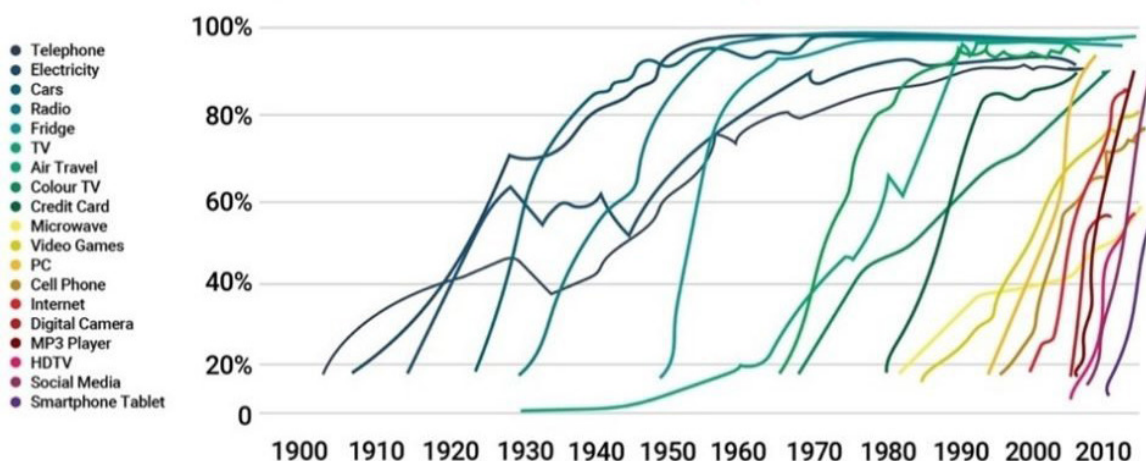


I'm not just handpicking examples here.

The telephone. Electricity. Cars. Radio. The fridge. TVs. Airplanes. Credit cards. Microwaves. Video games. Cell phones. Social media platforms.

Adoption of every new technology in the history of new technologies has followed an exponential adoption curve.

Adoption of New Technologies



In other words, The Great Acceleration is a widespread and disruptive reality which is only getting **bigger**.

This, of course, has two enormous implications:

First, as we discussed earlier, it means that emerging technology companies are leveraging The Great Acceleration to disrupt enormous industries and create vast wealth faster than anyone ever thought was possible.

Second, it means that all of this vast wealth generation is being concentrated in an exclusive group of tech entrepreneurs, workers, insiders, and investors.

Why is this happening? ***The Great Acceleration.***

On one end, the Great Acceleration allows today's hypergrowth technology companies to create enormous wealth with a relatively small number of employees, implying more wealth generation per capita.

For instance, in 1964, AT&T had more than 750,000 employees...

But in 2017, Google was a far bigger and far richer company than AT&T ever was, and it created that enormous wealth with 92% fewer employees.

This not a cherry-picked example. **It's the norm.**

Today's hypergrowth technology companies are leveraging The Great Acceleration to create more wealth than ever with fewer employees than their historical counterparts.

Hilton Hotels has about 170,000 employees who collectively generated about \$9 billion in revenue last year. That's about \$53,000 per employee.

But I estimate tech upstart Airbnb will soon make more money than Hilton, with 90% fewer employees, implying *five-times more money per employee* than Hilton!

In 2012, IBM had more than 400,000 employees... but today, Microsoft has one-third that number of employees and makes about \$50 billion more per year.

Back in 1989, Kodak had about 145,000 employees... today Snapchat has just 1,800 employees.

The Great Acceleration means more wealth creation per employee.

It also means more wealth creation for investors like you.

The plain and simple reality here is that investors who have invested in emerging, hypergrowth technology companies generating all the wealth have *absolutely crushed* investors who have not.

From 2005 to 2010, the tech-heavy **Nasdaq** rose more than 400%, while the **Dow Jones** rose just 120%.

That's amazing.

But... what's even more amazing is how the divergence in performance between the Nasdaq and Dow Jones has accelerated in recent years.

Between 2005 and 2010, the Nasdaq and Dow Jones roughly traced one another, with the former rising 22% and the latter rising 7%. Not much of a difference.

But over the next five years, that delta started to *widen*... and by 2015, the Nasdaq was up 130% from 2005, while the Dow Jones was up just 62%.

Then... in the past five years... that delta has ***absolutely exploded***... and now, the Nasdaq is up 400% from 2005, while the Dow Jones is up just 148%.

By 2025, it's likely the scorecard looks like 600% return for the Nasdaq and just a 200% return for the Dow Jones. By 2030, the difference will be even more stark.

That's the Great Acceleration at work in the stock market.

And the implications for you are obvious...

Don't continue to bet on the Dow Jones. That's living with one foot stuck in the past.

Invest alongside The Great Acceleration, with an eye toward the future, and make sure that you end up on the right side of this once-in-a-lifetime seismic shift.

Easy enough, right?

It is. Figuring out that you want to invest alongside The Great Acceleration is the easy part.

The hard part is figuring out the best way to do just that.

Fortunately, that's where we step in – because at *Innovation Investor*, we've developed the single best strategy for investing alongside this seismic shift... a strategy which will end up making you a ton of money in the stock market over the next several years.

The Heart of Our Investment Analysis: The Innovation Megatrend

The Pleistocene Epoch, an era that began about 2.5 million years ago and lasted until about 11,700 years ago, housed the most recent Ice Age. During this time, glaciers covered large swaths of the planet. At their greatest size, it's believed these ancient glaciers were more than two miles high and hundreds of miles long. They carved our lakes and valleys. They moved mountains of dirt and rocks. The vast, fertile fields of Middle America were formed from layers of soil left by ancient ice sheets.

The size and power of these unstoppable glaciers is hard to comprehend. Imagine standing on the ground and looking up at two miles of solid ice... such a heavy mass that it causes the Earth's crust to sink.

These days, our glaciers are thankfully much smaller.

However, there are still huge, unstoppable “glacier-like” phenomenon shaping our world... and they come in the form of “**innovation megatrends**.”

At *Innovation Investor*, we define “innovation megatrend” as a world-changing technological trend that reshapes and transforms society.

Innovation megatrends can ***last decades***. And they ***create vast wealth for entrepreneurs and investors***.

Some innovation megatrends that fit our definition include the rise of the automobile in the early 1900s... the commercialization of electricity in the early 1900s... the rise of the Internet in the 1990s... and the mass adoption of smartphones in 2010s.

At any point in your investment career, there will be a handful of innovation megatrends at work that are so important... so impactful... so monumental... **that if you know only about these megatrends and get on the right side of them, nothing else really matters.**

You can ignore all the bluster and commotion in the mainstream media, and simply focus on staying in the megatrends.

Getting on the right side of the megatrend is all you need to know to make big returns without doing a lot of work or taking big risks.

For example...

In the 1990s, two revolutionary technologies – personal computers and the World Wide Web – achieved widespread adoption and “converged” to reshape the world and create a historic economic boom. These technologies allowed us to make quantum leaps in productivity and efficiency.

It was an incredible time for entrepreneurs, investors, and employees. The gale-force tailwinds of wealth creation were blowing.

The benchmark technology stock index – the Nasdaq – gained 40% in 1995...

... then 22.7% in 1996...

... then 21.6% in 1997...

... *then 39.8% in 1998...*

... ***and then an incredible 85.6% in 1999.***

During these boom years, top technology firms like Microsoft, Cisco, and Qualcomm soared more than 30X in value. Annual stock gains of 1,000% were common in the technology sector.

Company founders and venture investors made billions of dollars. But “regular” employees and retail investors made millions of dollars... and they did so by simply floating on giant rivers of wealth creation.

If ALL you knew about business and investing in the 1990s was that personal computers and the internet would make us WAY more productive, **you could have made a fortune in stocks.**

Who the president was or what kind of laws were passed didn’t matter at all...

All that mattered was the innovation megatrend.

Let's look at Amazon for illustration...

Whether you know the stock market or not, Amazon is probably the company that comes to mind when you think of the biggest business success stories...

Amazon went from a simple idea of selling books online to selling pretty much anything and everything.

It's founder, Jeff Bezos, went from a relatively unknown Wall Street name to the world's richest person.

Through it all, from its 1997 initial public offering to mid-2020, Amazon's market value **increased more than 160,000%**. Or \$16 million for every \$10,000 invested.

Amazon's mastery of logistics lowered the price of almost everything. Its Prime membership program was a big hit. It made it incredibly easy to buy things online. Its cloud computing business generated billions of dollars in annual revenue.

While it may have seemed important at the time, no one remembers the effect the dot-com crash had on Amazon, or how interest rates or politics affected the stock...

What this or that politician did, or what made headline news on any specific day, was meaningless compared to the unstoppable trend of rising online sales.

The only thing that mattered for the long-term is Amazon's relentless innovation in the online e-commerce megatrend.

I'm detailing the history of the 1990s and Amazon's rise to the top because very soon after you read this guide... and very soon after you read many of our special reports and monthly issues, some doomsayer in the mainstream media is going to try to scare the hell out of you.

And you know what?

You'll listen to them... because we as humans are hardwired to pay attention to terrible news.

Two hundred thousand years ago, obsessing over potential danger is how we survived. Always worrying that a wolf or a bear is around the corner was a life-saving instinct.

These days, we don't have much to fear from wolves and bears. However, our instincts still make us obsess over potential dangers. We are compelled to click on bearish headlines and watch doomsayers on financial television. It's just like media insiders say: *Fear Sells*.

But if you keep in mind the story of the 1990s internet boom and Amazon's rise to the top... and if you remember how powerful innovation megatrends are... you'll remember that the gloomy news story of the hour is NO cause to sell your stocks and head for the hills.

Instead, you can focus on our “North Star” ... the one thing that really matters: Innovation.

Earlier in this guide, we detailed the power of exponential technological progress – the phenomenon we dub The Great Acceleration.

This acceleration is allowing new industries to spring up at an ever-increasing increasing pace... while generating huge investment returns at an ever-increasing pace.

We believe the best way to capitalize on this “Great Acceleration” is to own companies at the forefront of innovation megatrends.

That's why the heart of our investment approach is identifying innovation megatrends and the “highly scalable” companies best poised to dominate them.

Before we detail how we identify megatrends and pick stocks for investing in them, a quick word on “highly scalable” companies is in order...

Highly Scalable Companies: How to Make a Billion Dollars in One Year

Investors and entrepreneurs in Silicon Valley are obsessed with scalability... for good reason.

A business must be “highly scalable” to grow large in a short time.

Scalability is how a business grows revenues massively and rapidly while minimally growing the costs associated with producing those revenues.

For example, a tree trimming business is not highly scalable.

If you own a tree-trimming business and want to double in size, you'll have to buy twice as much equipment as you have now, and you'll have to hire twice as many workers as you have now.

Because of this, your revenue cannot rapidly soar far beyond your costs... and you can't grow 10X in a few years.

On the other side of the spectrum, you have social media businesses like Facebook and Twitter.

These businesses are **hyperscalable**.

They can grow 10X in a just a few years.

It took a lot of work in the early days to create the technologies and businesses behind Facebook and Twitter.

But once they were created, these two businesses could add millions of new users and increase their advertising revenues without having to spend much money.

Their market values exploded higher as a result.

They grew to huge sizes faster than just about any other kind of businesses in U.S. history.

Software companies are very scalable as well.

A company like Microsoft must spend money and time creating and developing software like Office.

But once the product is created, Microsoft can produce and sell additional copies of the software at minimal cost... so the company's profits can skyrocket.

Microsoft shares have soared more than 230,000% since the company went public. That's more than 2,000 times your money.

If you look at the biggest stock market winners of the past 20 years, you that most of them have one key attribute: That's "**hyperscalability**." They had the potential to massively and rapidly increase their revenues while minimally growing their costs.

As a result, they **could grow 50X** and beyond faster than any other kind of business in history.

Hyperscalable companies are the opposite of old, traditional industries like steel making, airlines, chemicals, and oil.

Those old industries are something I like to call "asset heavy."

They require huge amounts of upfront money to get started. You must spend fortunes on factories, equipment, and armies of employees.

And once you get started, *the huge expenses keep coming*.

These businesses constantly require extra spending on equipment, factories, maintenance, and replacement parts just to stay running.

All this spending means there's less profits left over for shareholders at the end of the year.

It also means asset heavy businesses typically can't grow very fast.

Instead, we prefer “**asset lite**” businesses that don't require much upfront investment to get started... and don't require a ton of ongoing investment to stay running.

Again... think of Facebook... Google... Twitter... Slack... Uber.

These are the kinds of companies that **can grow 50X very quickly**... and generate huge returns for shareholders very quickly.

I'm not saying you can't make money in asset heavy businesses.

Plenty of people have done well in them over the years.

Plenty of people will do well in them in the future.

But why spend your time on those slow movers when there are much, much better alternatives out there?

The way I see it... investing in old, slow growth companies is settling for less than the best.

It's like choosing to cross the country in a covered wagon instead of an airplane.

It's like sending a message with a carrier pigeon instead of a phone call.

It's like choosing to eat dog food when you can eat filet mignon.

The way I see it... if I'm going to invest \$10,000 of my money, I want the potential upside to be \$100,000... \$500,000... **even \$1 million**.

I want 10X, 50X, 100X upside.

Two for one upside is just not good enough.

Slow growth is not good enough.

We want hyperscalability.

Thanks to The Great Acceleration, you can now make 10 times your money in three years instead of making 3 times your money in 10 years.

And the good news is, there are companies being started every day that give investors that kind of potential. Dozens and dozens of them go public every year.

Here's how we find them...

A Simple, Straightforward Investment Strategy to Consistently Score HUGE Returns

When it comes to identifying long-term winning stocks for *Innovation Investor*, there aren't any gimmicks.

After all, this isn't a magic show.

It's an investment product.

And as an investment product, *Innovation Investor* employs a simple, straightforward investment strategy that's all-substance, no-fluff... and which will, by focusing on the basics, **consistently score you huge returns**.

This tried-and-true, winning process involves three key steps:

- 1. Identify investment megatrends that are unstoppable and will redefine how the world works.**
- 2. Within those megatrends, find the most relentlessly innovative companies that will dominate the megatrend at scale.**
- 3. Of those innovative megatrend leaders, identify the ones with the most hyperscalable business models.**

Sounds simple enough, right? ***It is*** – and that's why we love this investment strategy.

It removes all the noise.

It removes all the near-term stressors.

It removes all the nail biting.

It removes all the complex algorithms and all the tea leaf reading.

Instead, it breaks down the big and scary thing that is “investing” into three, quite easy steps – and allows us to repeat that process, over and over again, to consistently score enormous returns.

Why are we so sure that this easy yet breakthrough process is the key to creating life-changing wealth in the stock market?

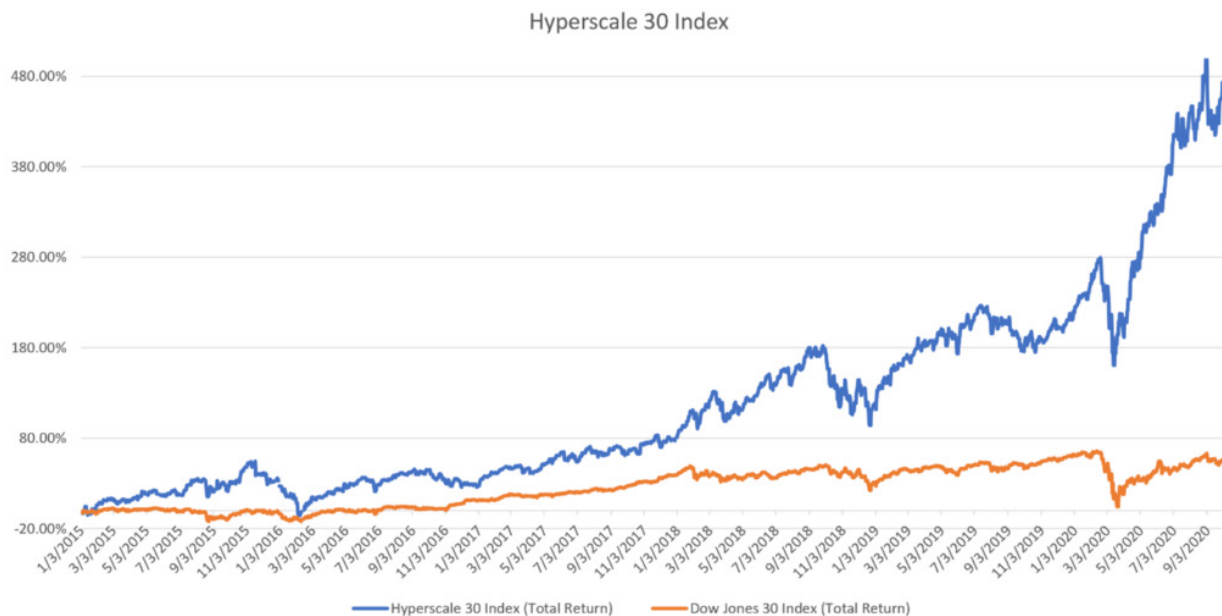
Because it already has...

At *Innovation Investor*, we have crafted our own proprietary **Hyperscale 30 Index** – or a collection of 30 stocks that represent the quintessence of our investment strategy... innovative, hyperscalable companies at the forefront of emerging investment megatrends.

I could go on and on about why the Hyperscale 30 Index represents the best-of-the-best stocks on the market.

Or I could just show you the numbers.

From early 2015 to late 2020, our Hyperscale 30 Index outperformed the S&P 500 by a factor of **8.5X**, rising 463% to the market's mere 55% gain.



That's enormous outperformance.

But what's even more telling is the divergence in performance between the Hyperscale 30 Index and the market.

Notice how the gap between the blue line and orange line is *widening* as time goes on?

Yeah, that's thanks to The Great Acceleration – a phenomenon which is only going to accelerate and intensify over the next decade, meaning that the Hyperscale 30 Index's drubbing of the market is only going to get worse... much, much worse.

So... in a nutshell... the purpose of *Innovation Investor's* investment strategy is simple: **put your portfolio on the same trajectory as that blue line**, while everyone else is stuck on the orange line.

The Tactics Guide: How to Build, Maintain, and Change Your Portfolio Like a Pro

Okay, we covered our strategy... how we approach the investment markets through an innovation megatrend lens.

Now, let's cover "tactics" ... the nuts of bolts of building successful stock positions and successful portfolios.

We'll start at the beginning... by covering the right way to buy a stock.

How Limit Orders Work

After you decide to buy a stock, you must then decide whether to use a "market" order or a "limit" order.

A market order is an order that instructs your broker to do his best to buy your position immediately at whatever the market price of the stock is.

In contrast, a limit order is an order that instructs your broker to ONLY buy your position at or below a specific price that you determine.

For example, let's say you want to buy stock ABC. It's trading for \$40.23 per share. You could try to buy the stock a little cheaper and use a limit order that instructs your broker to buy ABC only if it trades at or below \$40 per share. Or you could use a market order. If ABC were to trade up to \$40.40 per share while you entered the order and hit "submit," your broker would buy it at \$40.40.

In most cases, I prefer to see investors use limit orders. Limit orders give you control over what price you will pay for a stock. This is especially important in stocks that have lower liquidity levels.

A limit order can prevent you from getting ripped off by market makers who – upon seeing your market order that essentially says, "I'll pay whatever price" – will jack up the price of the stock on you.

Instead of paying "whatever price," I prefer to see investors use limit orders.

Using limit orders can present challenges from time to time. You must face these challenges like a pro, not an amateur. You see, one of the hallmarks of amateur investors is impatience. They want instant gratification. They want to buy their stocks NOW. They want to make 200% NOW.

True pros, on the other hand, are patient. They set sensible buy-up-to prices and exercise patience. They know that accumulating a stock position at a good price can take time. It can take days or even weeks. Great investors are like great hunters who sit patiently... waiting for the perfect time to strike.

Here's one situation where the difference between pros and amateurs is obvious:

Let's say a thinly traded stock, XYZ, is trading at \$9.23.

Bill and Sally both want to buy 1,000 shares of XYZ.

Bill has been told about limit orders. But he just can't wait to buy the stock. So, he ignores good advice and enters a market order. Wall Street market makers see that Bill is willing to pay any price for the stock, so they jack up the price to \$9.51 and sell shares to him. Bill got to buy his stock immediately, but he paid an extra \$0.28 per share, or about 3% extra.

Sally, on the other hand, buys her stocks like a pro. She is patient. She enters a limit order to buy XYZ at \$9.17. One the first day, her order is not filled. XYZ trades down to \$9.21, but not down to her \$9.17 limit price. Her order isn't filled the next day either. But on day three, XYZ trades down to \$9.17 and Sally's order is filled. She paid \$0.34 less per share than Bill did.

By acting like an amateur, Bill acquired his 1,000 shares for \$9,510. By being patient and buying the stock like a pro, Sally acquired her 1,000 shares for \$9,170, or \$340 less.

Sensibly using limit orders requires you to exercise patience. It can be frustrating at times. And in situations where the stock does not trade down to your price, you must increase your limit order in a stair step fashion (like \$9.17... then \$9.20... then \$9.23) in order to accumulate your shares.

But as you can see from the example above, it can save you hundreds of dollars per trade... and many thousands of dollars over a career.

The buy-up-to prices we use in *Innovation Investor* are not arbitrary numbers created out of thin air. They are a product of both our fundamental analysis and our analysis of share price action (called technical analysis). They will not only help you smartly execute your trades but will also give you an idea of what the company is worth.

Position Sizing: A Critically Important Part of Your Investment Success

All too often, investors get excited about a company's prospects, think about all the money they'll make, and buy some stock. They don't spend two seconds thinking about an absolutely critical component of investment success.

That component is called “position sizing.”

Position sizing is the part of your investment strategy that determines how much of your portfolio you place into a given stock, ETF, mutual fund, or bond.

For example, suppose an investor has a \$100,000 account. If she buys \$3,000 worth of stock in a company, her position size would be 3% of her capital. If she buys \$10,000 worth of stock, her position size is 10% of her capital.

Position sizing is MUCH more important to your investment success than any one single stock position.

Smart position sizing is one of the important ways investors can protect themselves from what’s called a “catastrophic loss.”

A catastrophic loss is a loss that erases a big chunk of your investment account. It’s the kind of loss that can end a career... and even a marriage.

The catastrophic loss typically occurs when an investor takes a much larger position size than she should. She’ll find a stock that she is very excited about, start thinking of all the profits she could make, and then make a giant bet. She’ll place 30%, 40%, 50%, or even more of her account in that one stock. If that stock plummets in value, the account takes a huge hit.

The obvious damage from a catastrophic loss is financial. If an investor with a \$100,000 account suffers a catastrophic 75% loss, he is left with \$25,000. It takes most people years to make back that kind of money from their job. Think about the numbers – after taking a 75% loss, it will take a 300% gain to get back to breakeven.

The less obvious damage a catastrophic loss can inflict is mental trauma. It’s crushing to know that you blew a big portion of your wealth with such a dumb move. People can get knocked out of the investing game forever.

To avoid catastrophic losses, your first line of defense is to size your positions correctly. Most experienced investors will tell you to never put more than 4% or 5% of your portfolio into any one stock. Others will tell you to never put in more than 3%.

As someone who writes to a broad audience of investors, I must follow government regulations that prohibit me from issuing specific position sizing advice to individuals. Common sense prohibits me as well. I’ll never know your financial situation, goals, and tolerance for risk like you do.

However, I can share with you this smart rule of thumb: **Never place more than 3% of your investable portfolio into any one stock.**

And keep in mind that smaller, less-established companies will be more volatile than established blue chips like Coca-Cola and Walmart. So, another rule of thumb to keep in mind is this: *The smaller and riskier a stock is, the smaller your position size should be.* Don't ever bet the rent money on smaller stocks that by nature carry more risk than established blue chips.

The Focused Portfolio Approach... Our Favorite Way to Invest in Innovation Megatrends

By now you, you know the mandate we follow in *Innovation Investor*.

We look to invest in huge **world-changing trends** that will last for years and **create trillions of dollars in wealth**.

But once we identify an innovation megatrend, what's the best way to invest in it?

Should we buy an ETF?

Buy a single stock?

I believe the best way to invest in an innovation megatrend isn't any of those approaches.

Instead of buying one single stock or one single ETF, I want you to employ a stock buying strategy most investors never consider... but is commonly used in the professional money management business.

I call it the “**focused portfolio**” strategy.

I think it's a phenomenal way to invest in a booming industry.

As you probably know, an ETF is a diversified investment fund that trades like a stock. Most ETFs hold dozens or hundreds of different companies. This is one of their big allures. They can give you diversified exposure to an industry like renewable energy, health care, or technology.

ETFs are popular with millions of investors. They can be useful financial tools. However, because ETFs can hold dozens or even hundreds of different stocks, an ETF buyer is almost guaranteed to end up owning **a lot of average or poor companies**.

On the other hand, if you want to profit from an innovation megatrend trend, you can buy one single company. You can risk all your money allocated to the trend on a single bet.

Putting all your money on single company can pay off big if things work out.

But doing that is risky. It exposes you to a lot of downside risk. If there is a big problem at your chosen company (like an accounting scandal or a bad management decision), you could suffer a huge loss and miss out on potential gains that other industry winners can deliver.

That's why I like to use the focused portfolio strategy when possible.

Using a focused portfolio strategy means we pick 3 to 8 of the best companies in an industry and buy all of them in equal amounts. This “focuses” our capital in small group of the best companies in the industry.

By purchasing a small group of elite companies, we get ***the best of both worlds***.

We get the best of the ETF world with some diversification (and leave out all the poor to average stocks that dilute returns), while getting the best of the single-stock world through only investing in the megatrend's brightest stars (and leaving out the overly risky, all-or-nothing bets on one company).

It's not always possible to use the focused portfolio strategy in an industry. Sometimes, there aren't many good individual companies trading at good prices in an industry at the same time.

But when it is possible to do so, focusing our capital in a small group of high-quality companies is a great way to invest in an innovation megatrend. Indeed, **it's the best way to invest in a megatrend**.

We get exposure to great businesses that have huge upside potential, but we avoid taking single-company risk. We get a great mix of risk and reward.

The 8 Investment Megatrends We Are Hyperfocused On

Our focus at *Innovation Investor* is on the following eight investment megatrends. We believe these eight distinct themes represent the world's most innovative and disruptive trends to invest in for the next several years.

Those investment megatrends are as follows:

- 1. The Green Wave.** Thanks to converging economic, sociopolitical, and technological drivers, we are on the cusp of clean, renewable energy sources turning into the backbone of the world's energy demand over the next decade.

Sample stocks: Solar stocks, hydrogen stocks, wind stocks

- 2. Next-Gen Mobility.** Falling costs, shifting demand and legislature, and improving technology have set the global stage for a new era of mobility, wherein electric, connected, and autonomous transportation vehicles become the global norm.

Sample stocks: EV stocks, AV stocks

3. Plant Power. A wave of new academic research coupled with shifting consumer attitudes and changing laws is paving the path for a new class of foods and drugs to fundamentally alter our consumption and treatment habits in the 2020s.

Sample stocks: Plant food stocks, cannabis stocks, shroom stocks

4. The Intelligence Economy. We are rapidly entering a smarter world, wherein advancements in IoT devices, big data analytics, and artificial intelligence are enabling a novel era of automated processes, data-driven decision making, and 24/7 connectivity.

Sample stocks: AI stocks, Big Data stocks, IoT stocks

5. Digitainment. The world's entertainment services are being digitized, and the pace of digitization will only accelerate in the 2020s, as improving technology converges on a global cohort that is growing more comfortable with tech.

Sample stocks: Social media stocks, Ad tech stocks, Streaming TV stocks, iGaming stocks

6. Space Race 2.0. Multiple breakthrough technologies are converging to propel us into a new era of space exploration, tourism, and mining – the likes of which will give birth to a new, multi-trillion-dollar Space Economy.

Sample stocks: Space tourism stocks, space exploration stocks, jet propulsion tech stocks

7. Enterprise Virtualization. The future of work is shifting online, creating burgeoning demand for on-demand, digital solutions which enable enterprise virtualization and remote workflows.

Sample stocks: Cloud stocks, Enterprise SaaS stocks, E-learning stocks

8. Everything E-Commerce. The e-commerce revolution of the 2010s is ready to kick into “overdrive” in the 2020s and ultimately take over the global retail world, leaving no stones unturned along the way.

Sample stocks: Online auto stocks, online furniture stocks, e-payment stocks

Over the course of the next few weeks, months, and years, we will create focused portfolios in each one of these investment megatrends, giving you exposure to the highest quality investment opportunities in each trend.

Our end goal is to build a portfolio in line with the innovations of world's foremost futurists, while delivering the life-changing profits of the world's most brilliant investors. It's a portfolio built for the future of everything, so that you can turn every one of today's breakthrough innovations into tomorrow's profits.

Summing Up

By now, I hope you can see how investing in innovation megatrends... and identifying the most innovative and hyperscalable companies on the forefront of those megatrends... can allow you to consistently score enormous returns in the stock market.

It's the best investment strategy in the world – and it's your ticket to million-dollar gains in the 2020s.

Thank you for your membership to *Innovation Investor*. I look forward to making a lot of money together.

Best regards,

A handwritten signature in black ink, appearing to read 'Luke Lango', with a long, sweeping horizontal line extending to the right.

Luke Lango
Editor, *Innovation Investor*